

The background of the slide is a solid orange color. It is decorated with faint, light-colored silhouettes of various leaves and foliage, scattered across the top and sides, creating a subtle border effect.

Common Audit Findings

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California Student Aid Commission

Audit Objective

- To provide the Commission with assurance that institutions are adequately administering the Cal Grant program
- To ensure institutions participating in the Cal Grant Program complied with applicable laws, policies, contracts and institutional participation agreements.

Audit Criteria

Issues that arise during the audit will be resolved by reference to:

- California Education Code
- California Code of Regulations
- Institutional Participation Agreement
- Cal Grant Manual
- Commission Operations Memos, Policy Bulletins and Special Alerts
- Higher Education Act of 1965, as amended
- 34 CFR: Compilation of Student Financial Assistance Regulations
- Financial Aid Handbook
- School Policies, Procedures and Catalogs

Areas of Review

- General Eligibility
- Applicant Eligibility
- Fund Disbursement and Refunds
- Record Retention and File Maintenance
- Fiscal Responsibility

Common Audit Findings

- Cal Grant funds not reconciled
- Actual tuition charges less than Cal Grant tuition award
- Incorrect Cal Grant payment due to enrollment status
- Income ceiling levels exceeded
- Ineligible program for Cal Grant type
- Cal Grant funds over-awarded
- Verification not performed

Cal Grant funds not reconciled

- Observation: A review of the institution's accounting documents revealed that Cal Grant funds were not reconciled for the 2012-13 award year.
- Requirement: Cal Grant funds must reconciled on a student-by-student basis for the payment period and award year.
- Required Action: Return the ineligible funds and submit written procedures and internal control measures that will be implemented to ensure the institution reconciles all Cal Grant funds received. The procedures must include time frames, staff titles, and specific areas of responsibilities as it relates to Cal Grant reconciliation.

Reconciliation Example

The institution reported the following payments on WebGrants:

● Student A	\$776
● Student B	\$776
● Student C	<u>\$776</u>
Total	\$2,328

Institution accounting records disclose actual disbursements:

● Student A	\$776
● Student B	\$582
● Student C	\$388
● Student D	\$388
● Student E	<u>\$194</u>
Total	\$2,328

Did the institution properly reconcile Cal Grant Funds?

Actual tuition charges less than Cal Grant funds

- Observation: A review of student statements revealed that the institution awarded Cal Grant tuition funds to students whose tuition/fee amounts were less than the Cal Grant tuition award.
- Requirement: Cal Grant tuition/fee awards shall be used only for actual tuition and student fees. If the student is receiving benefits from another financial aid source that is restricted to tuition and fees, the Cal Grant tuition award must be adjusted or the other tuition-paying award can be returned or reduced.
- Required Action: Return ineligible funds and submit policies and procedures that will be implemented to ensure that Cal Grant tuition awards do not exceed the student's actual tuition charges.

Tuition Example

Teresa was awarded a Cal Grant A in the amount of \$9,840 for the award year. There are four terms within the award year and she was enrolled full-time for each term. She may be eligible to receive up to \$2,460 of Cal Grant funds per term ($\$9,840 \div 4$).

Her tuition charges for each term is as follows:

Fall	\$2,600
Winter	\$2,600
Spring	\$2,391
Summer	<u>\$2,400</u>
Total	\$9,991

Is Teresa eligible to receive the full tuition amount for the award year?

Tuition Refund Example

Paul was enrolled full-time on September 10th and was charged \$11,536 in tuition for the term. The institution reported a full-time \$3,690 tuition award for Fall and disbursed funds on September 24th.

Paul withdrew from the program on October 15th. After performing the R2T4 calculation, the institution made a tuition adjustment reducing tuition charges to \$2,987.

Is Paul eligible to receive the full tuition amount for the award year?

Incorrect Cal Grant payment due to enrollment status

- Observation: A review of 40 student files disclosed 2 cases where the school disbursed more or less in Cal Grant funds than the students were eligible to receive due to enrollment status.
- Requirement: The enrollment status must be determined according to the student's attendance at the time Cal Grant funds are paid to the student. Enrollment status directly correlates to the amount of the Cal Grant award and the percentage of Cal Grant eligibility used.
- Required Action: Return the ineligible funds and submit policies and procedures to ensure that a student's Cal Grant payment is based upon the student's enrollment status at the time of disbursement.

Incorrect Payment Example

- The institution determines Fall eligibility on September 15th
- The institution reports a full-time award of \$776 for John based on 12 units enrolled
- The institution did not disburse funds to student until December 1
- Transcripts show the student dropped to 9 units on September 20th

Is John eligible to receive the full time award for Fall?

Income ceiling levels exceeded

- **Observation:** A review of student files revealed two cases in which the student's income exceeded the Commission's income ceiling levels for the 2012-13 award year.
- **Requirement:** The family income for a dependent/independent student is the parent's/student's total income (TI) as calculated by the Federal Processor. TI is the Adjusted Gross Income plus Untaxed Income minus Taxable Income Offsets.
- **Required Action:** Return the ineligible funds, have the student withdrawn from the Cal Grant Program and submit policies and procedures that will be implemented to ensure that Cal Grant recipients meet all program eligibility requirements prior to the disbursement of Cal Grant funds.

Income Ceiling Example

Family Size	Income
5	\$40,900
4	\$36,600
3	\$32,900

Jane was verified as a new Cal Grant B recipient based on an initial TI of \$37,643 with a family size of 5 as reported on the FAFSA.

After verification, the TI remained the same but the family size decreased to 3.

Is Jane eligible for a Cal Grant award?

Ineligible program for Cal Grant type

- Observation: A review of 17 Cal Grant A recipient files revealed 7 cases in which the institution disbursed Cal Grant A funds to students who were not enrolled in an eligible Cal Grant A program.
- Requirement: Each type of Cal Grant (A, B or C) has specific program lengths and types of degrees, certificates or diploma a student must obtain. The school must obtain the student's degree objective at the time of enrollment.
- Required Action: Return the ineligible funds, have the student withdrawn from the Cal Grant program and submit written procedures and quality controls measures that will be put into place to ensure the Cal Grant recipient is enrolled in an eligible program of study that clearly declares their educational objective at the start of enrollment and/or award year.

Ineligible Program Example

Carol enrolled in the Medical Assistant program which is 1-year in program length. At the conclusion of her program she will receive a certificate.

She was awarded a Cal Grant A in the amount of \$9,708 and the school credited the funds towards her account.

Does her program of study meet the program eligibility requirements for a Cal Grant A?

Cal Grant funds over-awarded

- Observation: A review of 40 student files revealed 6 cases in which the institution over-awarded Cal Grant funds.
- Requirement: The total of the Cal Grant award and all other types of aid (e.g., federal, state, institution, and private) may not exceed the student's cost of attendance (budget) less the calculated Expected Family Contribution (EFC). There is no over-award tolerance for Cal Grant funds.
- Required Action: Return the ineligible funds and submit policies and procedures that will be implemented to ensure that Cal Grant recipient's are not over-awarded for their respective Cal Grant award year.

Over-award Example

Cost of Attendance		\$25,400
Less EFC		<u><5,445></u>
Unmet Need		\$19,955
Less EFA:		
Institution Grant	6,000	
Scholarship	2,000	
Subsidized Loan	<u>2,625</u>	
Total EFA		<u><10,625></u>
Cal Grant Unmet Need		\$9,330
Less Actual Cal Grant Award		<u><9,708></u>
Cal Grant Over-award		\$378

Verification not performed

- Observation: A review of 40 student files revealed 8 cases in which the verification process was not performed prior to the disbursement of Cal Grant funds.
- Requirement: The institution must compare the documentation submitted by the student selected for verification to the information provided on the FAFSA. There is no tolerance for errors (non-dollar and dollar items). The institution must have on file, the final and valid ISIR, showing the official EFC.
- Required Action: Return the ineligible funds and submit procedures and quality controls measures that will be implemented to ensure that the verification process is fully completed and documented prior to the disbursement of Cal Grant funds.

Corrective Measures

- Policy or procedural changes to ensure appropriate administration as it relates to the finding.
- The return of ineligible funds as a result of an audit finding.
- Portfolio review if the error ratio exceeds 10%.
- Complete training as it relates to the finding (repeat finding).
- Placement of the school in the Commission's At-Risk Reimbursement Program.
- Withhold or stop term advances
- Terminate the institution's Agreement

Tips to Avoid Audit Findings

- Update policies and procedures on an annual basis or when needed
- Keep records organized and readily available
- Attend training conferences or webinars
- Maintain good documentation
- Keep up to date with state or federal regulations
- Request specialized training from CSAC
- Perform “Self Audits” annually
- Consult with other schools/colleagues
- Consult with Commission staff